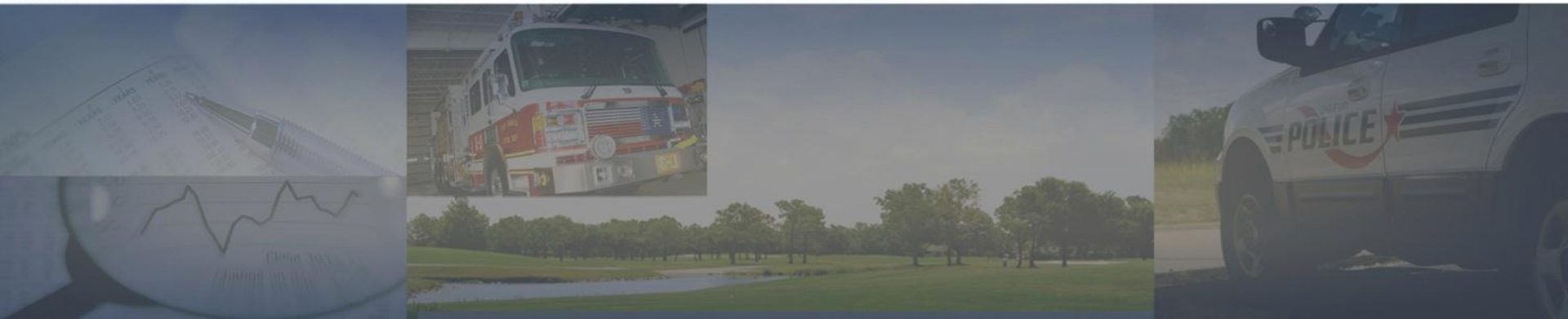


# FY2013 Operating Budget and CIP Public Meeting

Mike Loftin  
City Manager

September 6, 2012



# Key Budget Principles

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Creating a customer friendly, responsive, innovative and financially responsible government that:

- Minimizes financial burden on City's taxpayers
  - \$1.3 cent property tax cut (third year in a row rate has been reduced)
    - Total 3 year savings on a \$170,000 home is \$102
  - Holds water and wastewater rates at 2008 levels for fifth year in a row
  - One net new position
    - Number of employees per 1,000 population (6.1 employees)
  - Incorporates \$1.5 million savings for refunding City bonds at lower interest rates and \$3 million debt reduction using excess fund balance

# Key Budget Principles

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- Provides a balanced program of quality service
  - Expanded funding for economic development to diversify City's tax base
  - Provides quantitative measures of performance
  - Includes funds for infrastructure
  - Encourages customer service as a primary focus
  - Providing a full year funding for 10 public safety positions (4 dispatchers and 6 paramedics) created in FY2012 (\$551,000)
  - First year of operations of Eastern Regional Park (Total amount of \$1.29 million includes \$618,000 in operations and \$667,000 debt service)

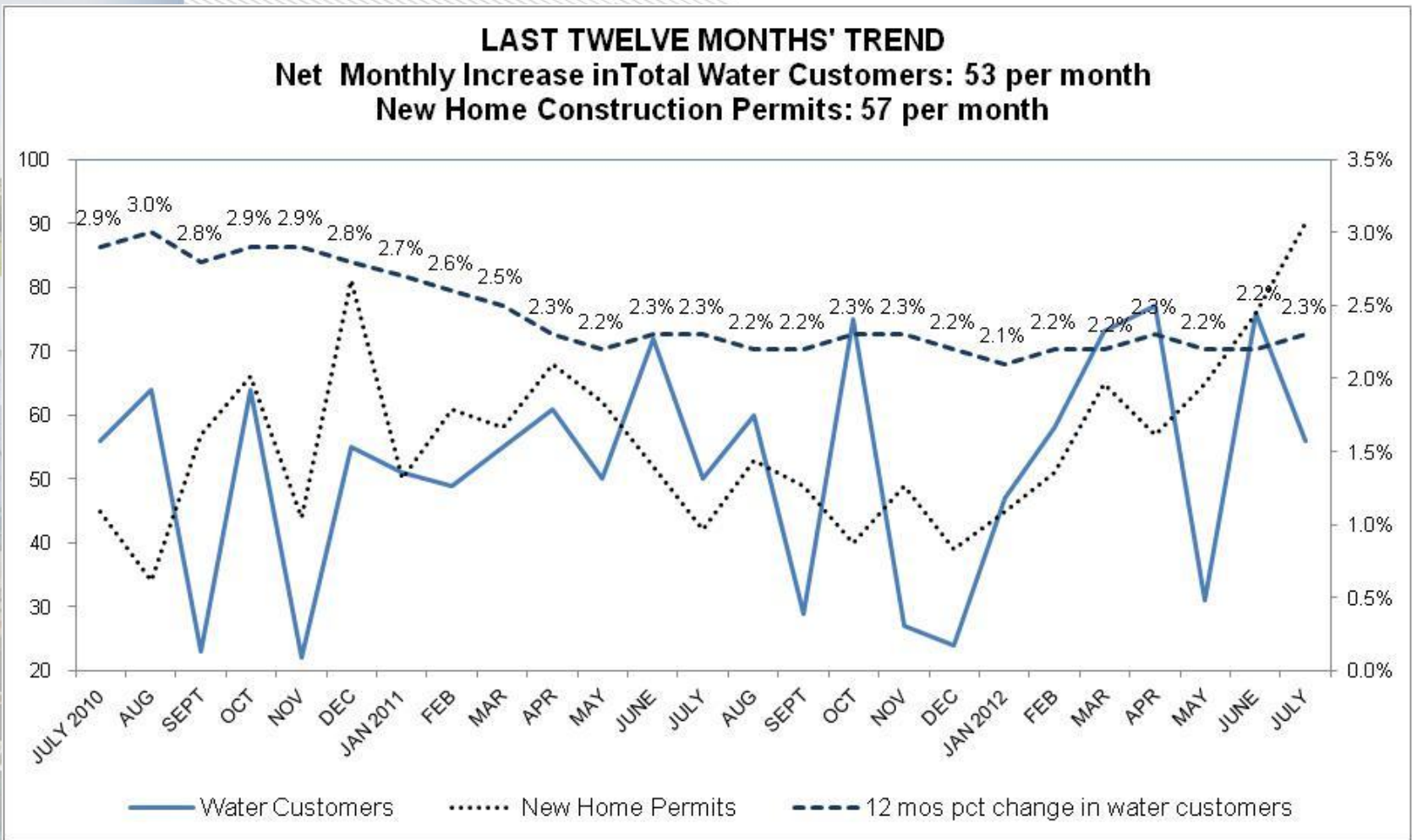


# Key Budget Principles

- Makes annual decisions that can be sustained over the long term
  - Focuses on major areas that could become a problem if left unaddressed
    - Continue strategic investment in existing City assets – facilities, technology, fleet
  - Addresses water supply expansion
    - Acquire 1 MGD from South Houston through GCWA
    - Completion of Beamer line providing 5 MGD
  - Adjusts employee compensation
    - Provide salary increases inline with market
    - 2% increase – performance-based for civilians and across the board for classified
    - Health insurance increase of 15% offset by plan changes
  - Protects financial reserves:
    - Minimum of 90 days of operating expenses in both General and Utility Funds
  - Long-term bonds are sold annually and structured for affordability

# Local Economy is Stable

## One Month Does Not Make a Trend



# Process

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- Council goals as foundation for process
  - Goals were set in October 2011
  - Priorities set in January 2012
- Nine informational pre-budget and CIP meetings from April through July
  - Department presentations on strategic issues and budget concerns
- Council set priorities for General Fund budget and tax supported CIP in workshops on July 17 and 18
- Priorities and goals are primary basis for the FY2013 Proposed Budget and CIP



# Remaining Process

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- August 27: Council agenda work session
- August 28:
  - Public Hearing
  - First reading of FY2013 Proposed Budget and FY2013-2017 CIP
- September 6: Public meeting on Budget and CIP
- September 10: Council agenda work session
- September 11: Second reading to consider adopting FY2013 Budget and FY2013-2017 CIP
  - City Charter requires budget to be adopted at least 10 days before beginning of fiscal year (Thursday, September 20)

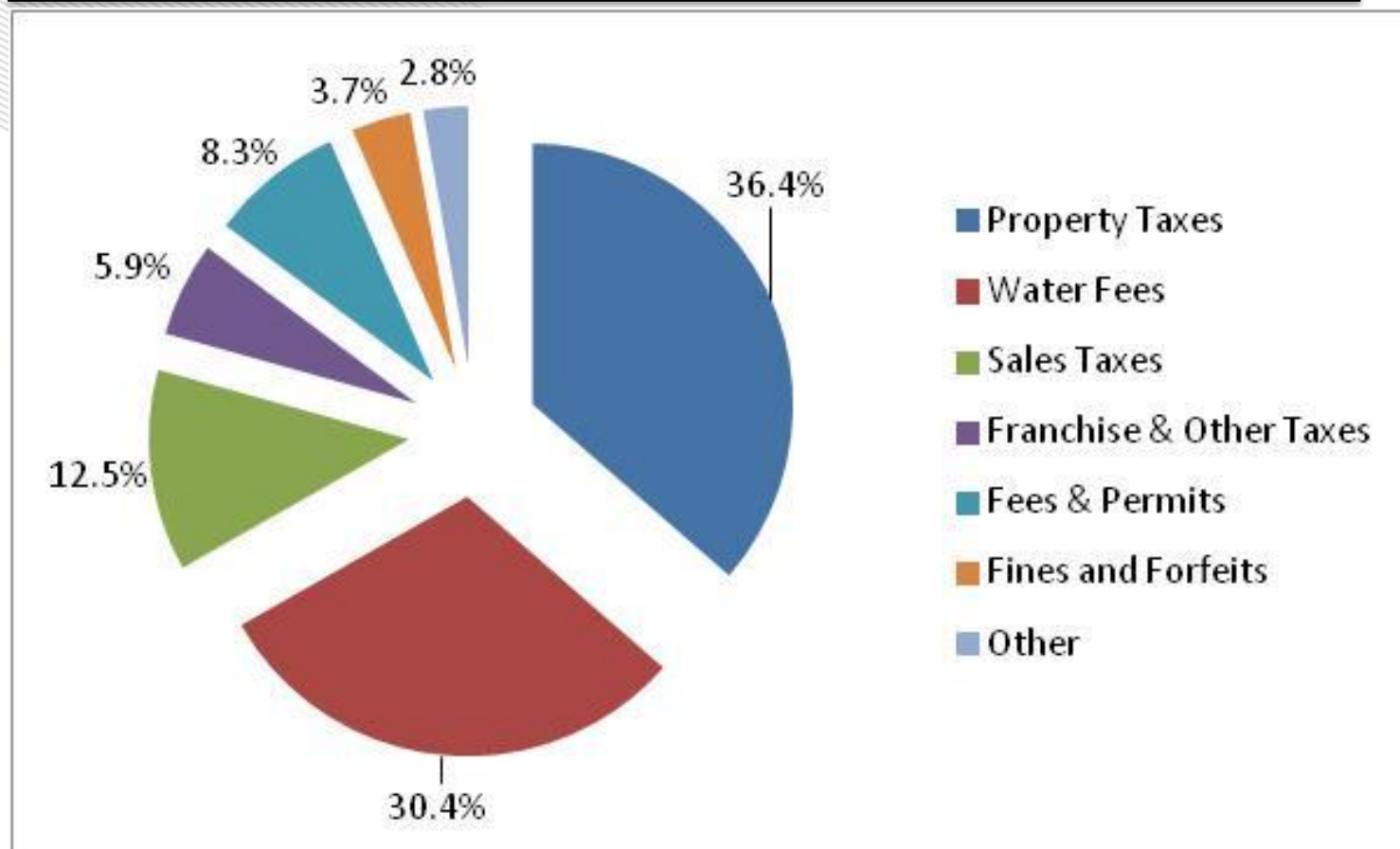
# FY 2013 Budget Highlights

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- Total Budget includes \$204.5 million in expenditures
- FY 2013 Operating Budget
  - Recurring Revenue \$94.3 million
  - Recurring Expenditures \$95.7 million
  - Difference is a planned draw down of General Debt Service fund balance (\$800,000) and Utility Fund balance (\$473,000)
- FY 2013 Capital Budget \$105.2 million
- One time, non-recurring uses of fund balance \$3.5 million of which \$3.1 million is for CIP

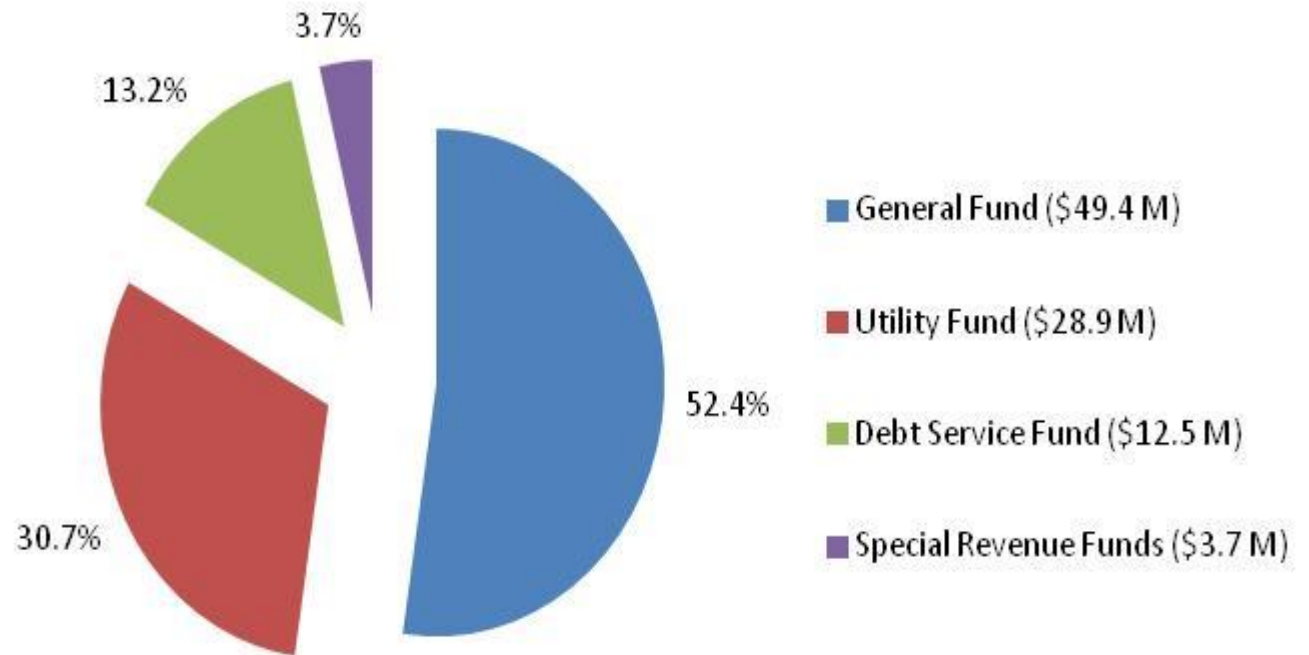


# FY 2013 Revenue Sources



Greatest revenue source is property tax – 14% of property tax goes to TIRZ increments and MUD rebates with the remaining 85% for City services and bond payments

# Recurring Expenditures by Fund



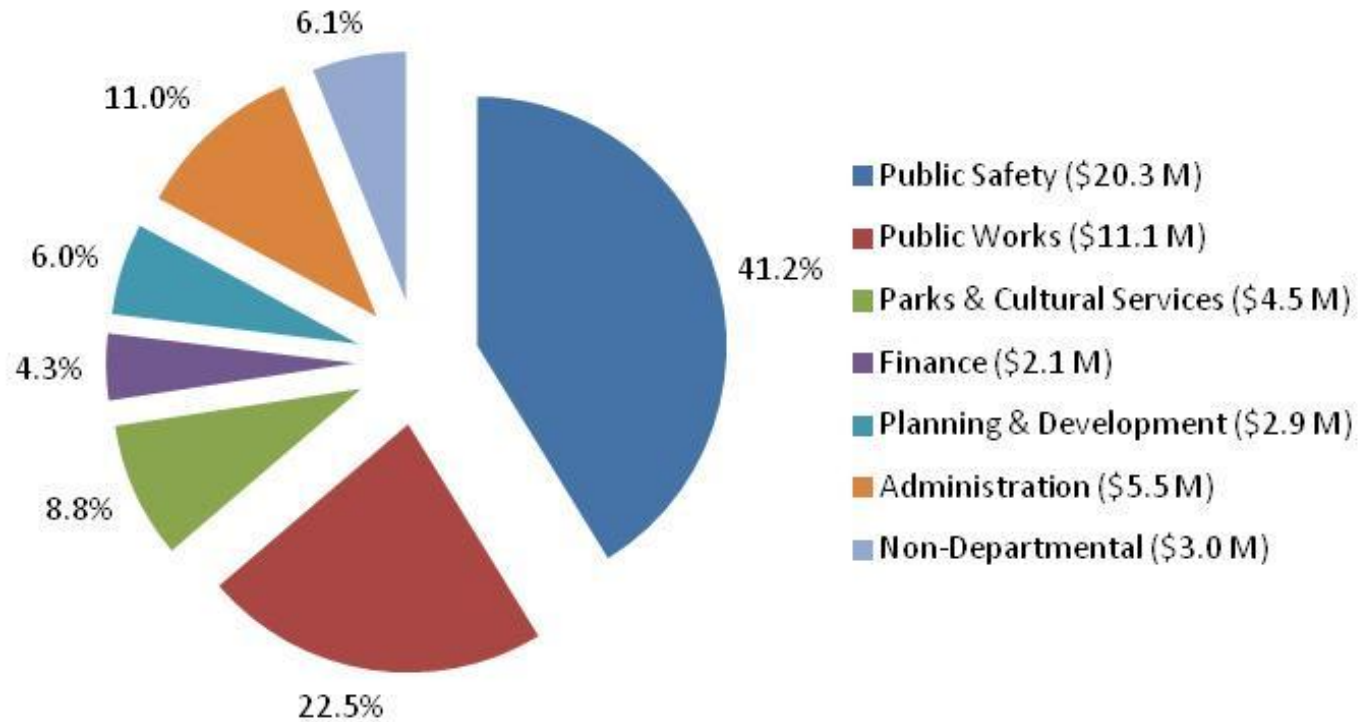
# Overall Expenditure Budget Highlights

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- Operations increased by \$4.1 million from FY2012 budget estimate of \$91.9 million
  - Eastern Regional Park opening (\$295,000)
  - Increased debt service payments, net of savings of refunding old debt (\$2.6 million)
  - Compensation increases for City employees (\$1.3 million)
  - Net changes in budget from expenditure cuts and council priorities
- \$1.9 million increase from the FY2012 Amended Budget of \$93.8 million



# General Fund Expenditures



# General Fund Highlights

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- Council priorities included (\$1,542,000)
  - Personnel (\$662,000)
  - Services (\$320,000)
  - Maintenance and Operations Property tax cut (\$560,000)
- Total administrative cuts (\$929,000)
  - 1% cut in department budgets (\$586,000)
  - Eliminated 4 positions (\$343,000)
- Council priorities for excess fund balance
  - CIP Items (\$2.1 million)
  - One-time operating budget items (\$467,200)
  - Debt refunding (\$3 million)

# Other Funds Highlights

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- Utility Fund proposed budget is \$30.4 million which includes \$13.5 million in debt service for bonds used for water and wastewater projects
  - \$1.6 million 5.5% more than FY2012 Amended Budget
  - Projected ending fund balance of \$17.3 million, \$9.2 million of which is required to cover debt services reserves and 90 days of operating expenses
  - Remaining fund balance planned use is to postpone potential rate increase three years
- Debt Service Fund proposed budget is \$13.28 million, a \$1.54 million increase over FY2012
  - Planned increase primarily due to public safety facility



# Other Funds Highlights (continued)

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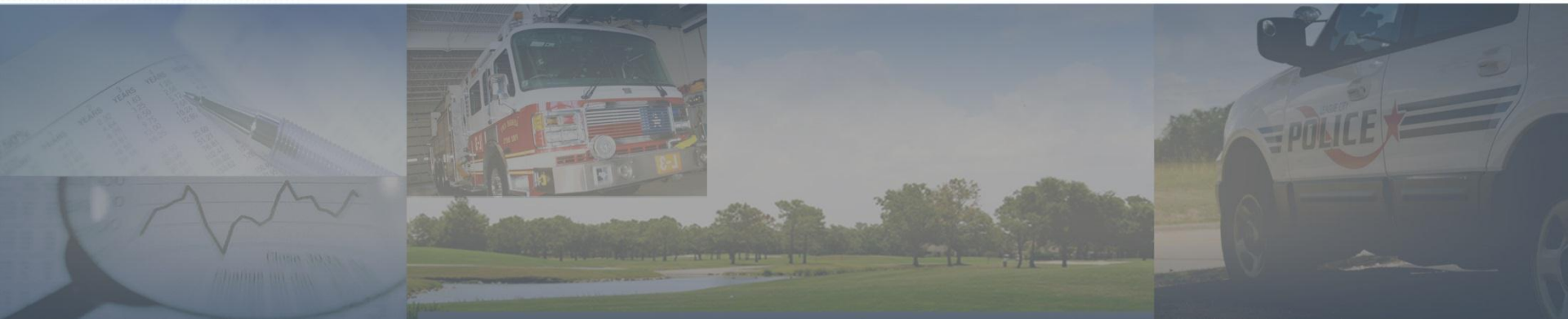
- Special Revenue Funds proposed budget is \$3.7 million or \$1.1 million more than FY2012 spending
  - Increase primarily due to operations at Eastern Regional Park (\$408,000) in the 4B Maintenance and Operations Fund and acquisition and implementation of the citywide business management system (\$459,000) in the Technology Fund

# Building League City's Future: How do we pay for projects?

Mike Loftin

City Manager

September 6, 2012



# CIP Financing Assumptions

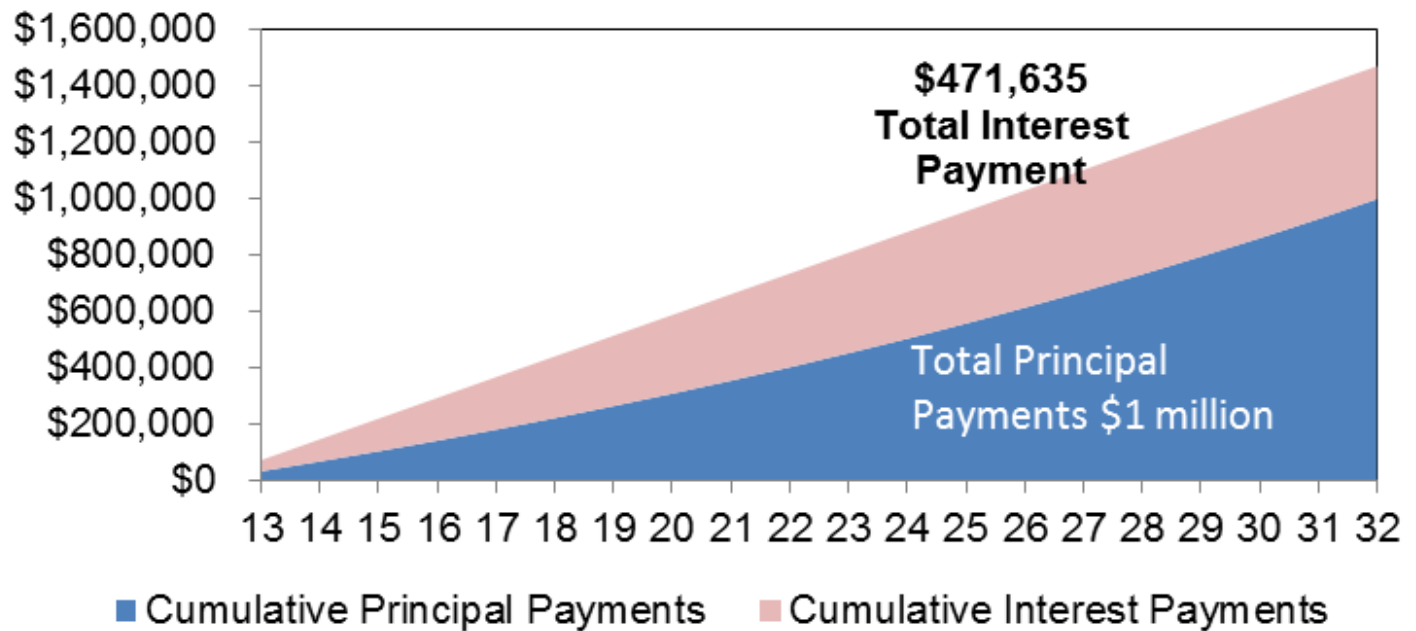
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- \$1 million project that is needed to improve street, drainage, or other basic services
  - Assumes the City does not have the \$1 million cash today
- Choices are:
  1. Finance the project over 20 years with bonds
    - “Pay-as-you-use”
  2. Save in order to accumulate cash for the project
    - “Pay-as-you-go”
- Interest rates on bonds, savings accounts and inflation rate on construction costs: **ALL 4%**



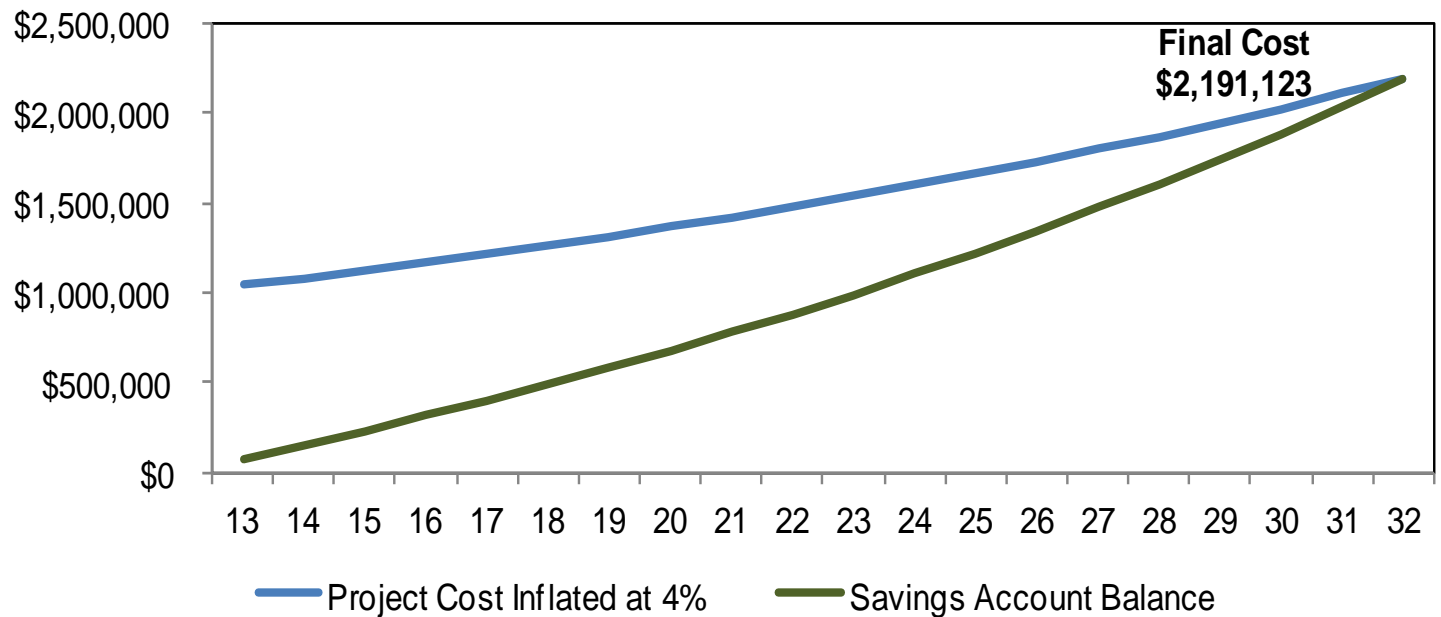
## Pay-as-you-use with Bonds: \$1.47 Million Total Cost

**Pay-as-you-use: \$1 Million Bond Issue Yields  
Annual Payments of \$73,582 and  
Total Cost \$1.47 Million**



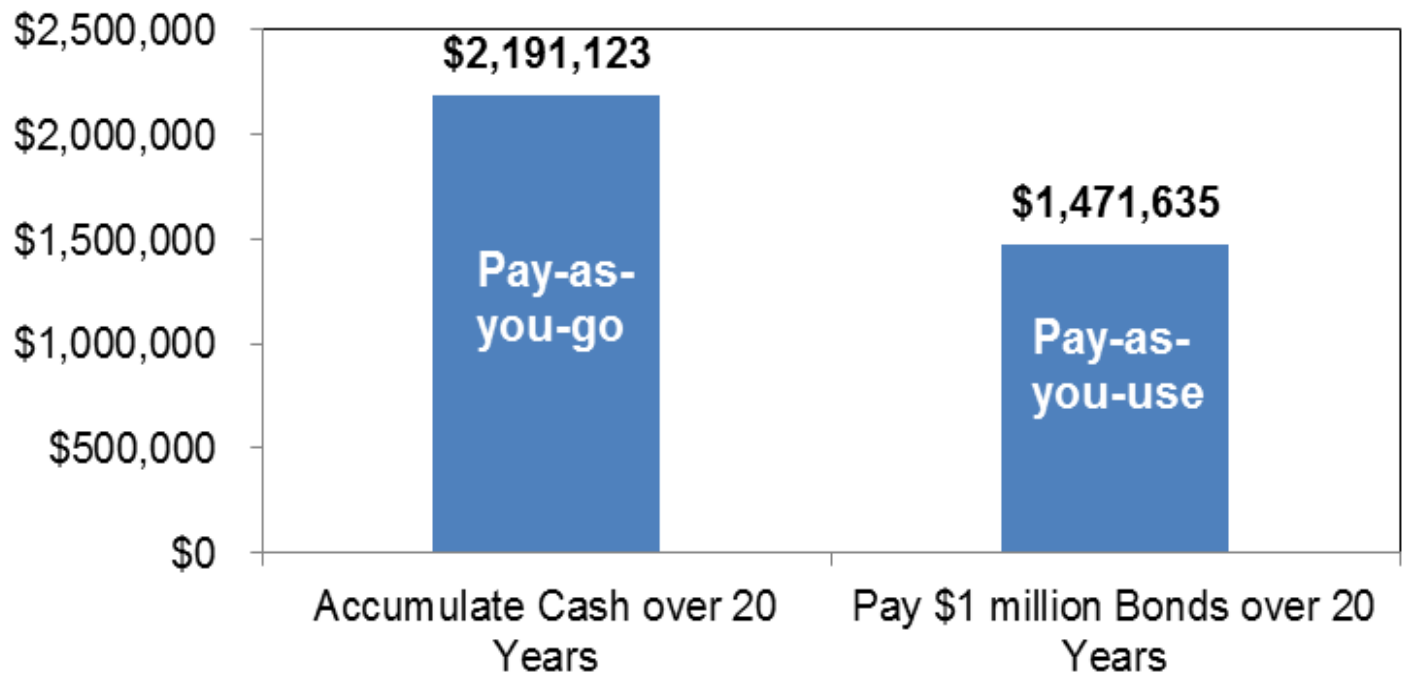
# Pay-as-you-go with Cash: \$2.19 Million Total Cost

**Save \$70,750 per Year to Accumulate Cash for \$1 Million Project after 20 Years**



# Pay-as-you-use Costs Less Than Pay-as-you-go

## \$1 Million Project: \$719,000 Less Costly to Finance Today



The only time this isn't true is if you already have the cash on hand.



# Why the Difference?

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- Construction cost escalates at 4% starting with a \$1 million base
- Bonds are paid down from the start and interest payments are applied to a declining principal balance
- Net cost on an annual basis depends on interest rates but the two principles above still apply

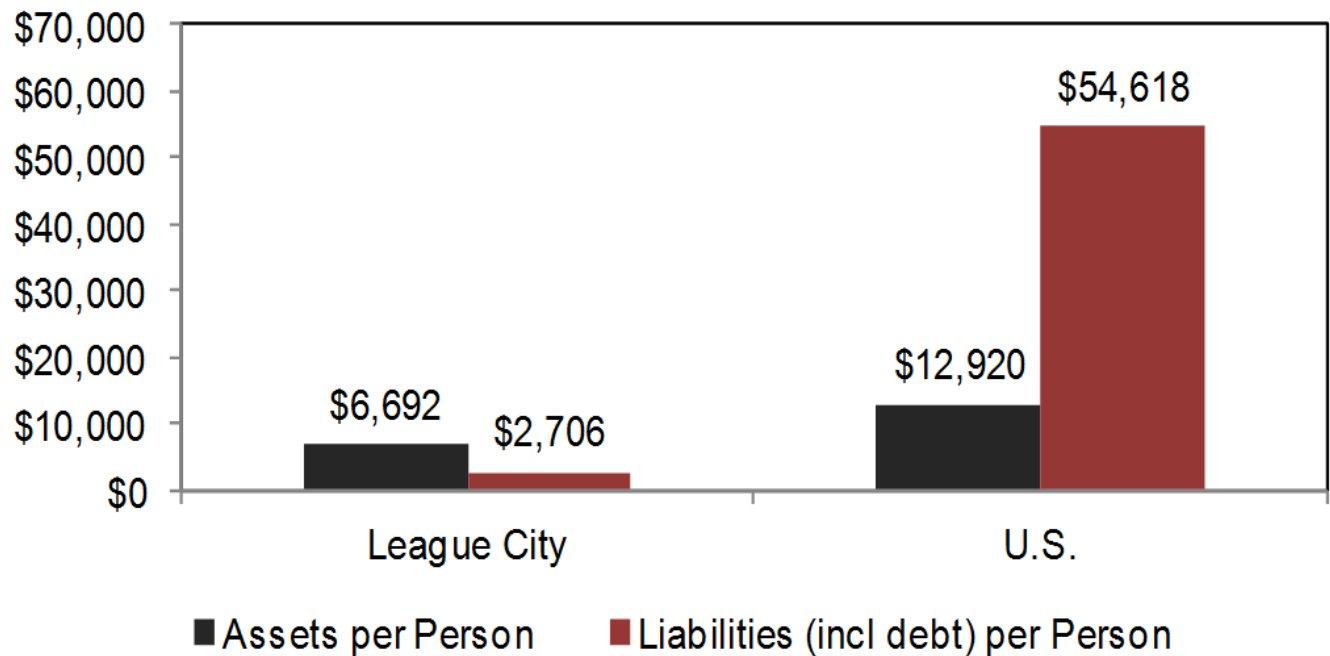
# Conclusions and Other Considerations

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- If you don't have the cash in hand, pay-as-you-use costs less than pay-as-you-go
- Pay-as-you-use: the users of the project are paying for it as they benefit from it
- The City gains the benefit of having the project today
  - What is the cost of not having the project today?
- The CIP is based on long-term affordability
  - The debt payments are structured responsibly
  - Revenue projections are based on conservative growth rates

# We Own More Than We Owe

## League City's Financial Position: No Comparison with the U.S.



Data as of September 30, 2011



# What does this mean to the owner of a \$170,000 home in League City?

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Year	Tax Rate	Debt Service portion	Total City Property Taxes per year
FY2012	\$0.61	\$344	\$933
FY2013	\$0.597	\$340	\$913

## What does this mean to the owner of a \$170,000 home in League City?

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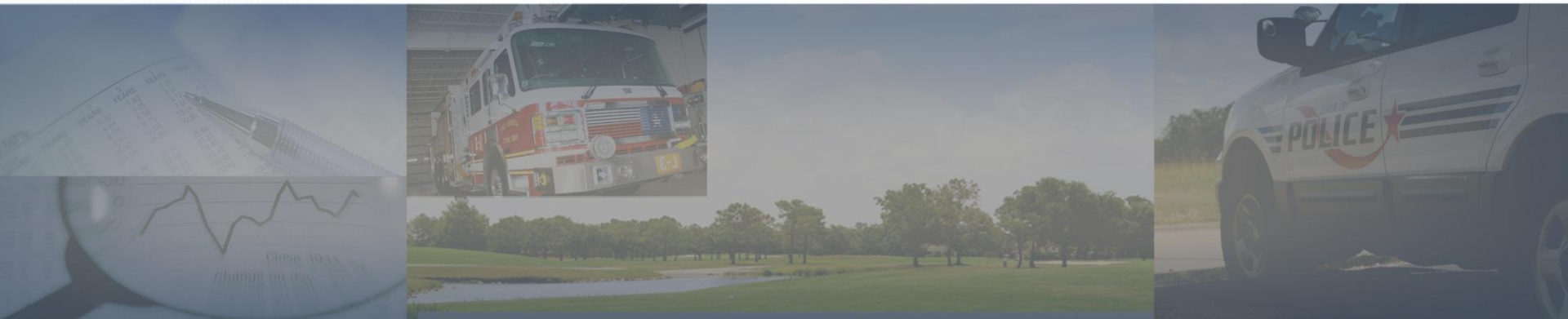
- The CIP (including FY13 projects and bond sales) is based on a proposed tax rate of \$0.597 over the next 10 years
- Homeowner's debt service payment holds constant for 10 years assuming:
  - Annual growth ranging from 2.3-2.8 percent in property tax base (assumed nearly all new construction)
  - No change in tax rate
  - Continuation of debt issuance as projected in CIP

# New Debt to Fund FY2013-2017 CIP

Issue	Principal	Interest	TOTAL
Tax Supported	\$69.9 M	\$36.5 M	\$105.4 M
Revenue Supported	\$99.6 M	\$54.9 M	\$154.5 M

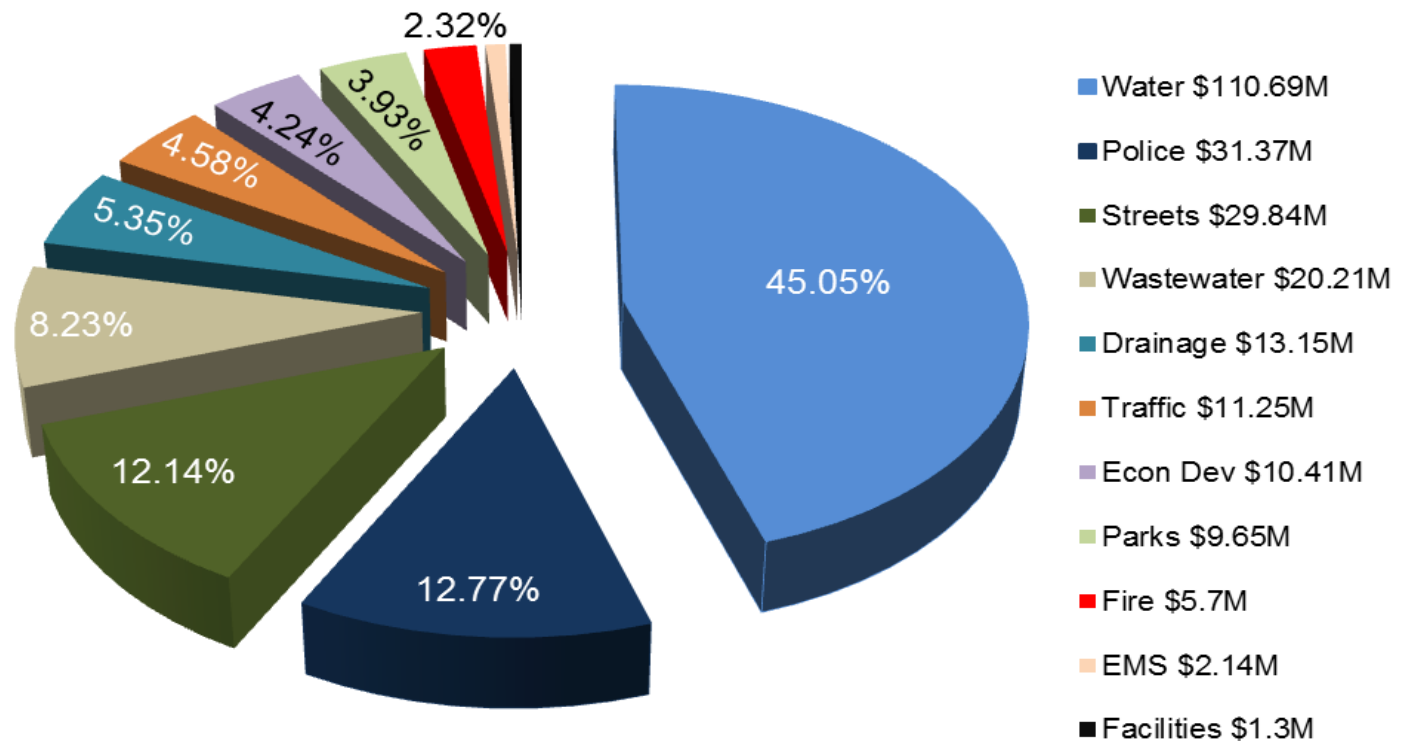


# Proposed FY2013-2017 CIP



# Proposed FY 2013-2017 CIP

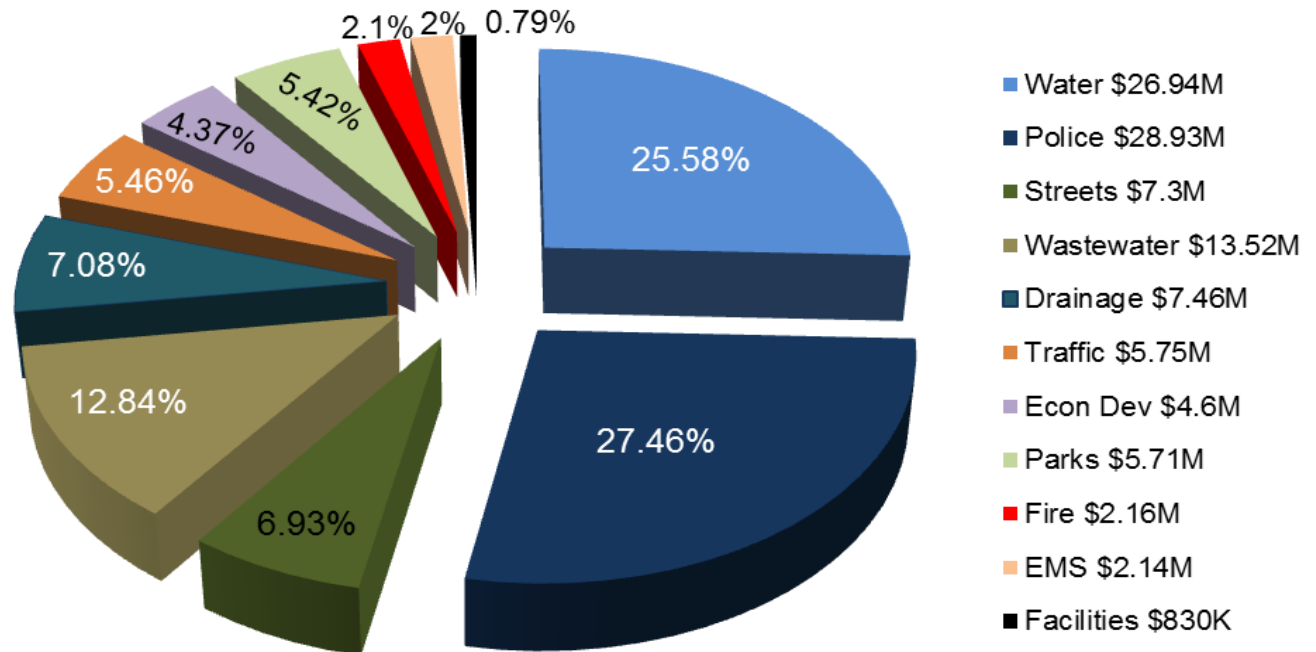
## 5-Year CIP Projects by Program



5-year total = \$245.71 million in projects  
 Tax Supported = \$114.81 million  
 Revenue Supported = \$130.9 million

# Proposed FY 2013-2017 CIP

## FY 2013 CIP Projects by Program



FY2013 = \$105.34 million in projects

Tax Supported = \$64.88 million

Revenue Supported = \$40.46 million



# Proposed FY 2013-2017 CIP Tax Supported Programs

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- Council Priorities from July 17<sup>th</sup> Council Workshop = \$114.81 million in projects
  - \$73 million in new bond funds needed
  - \$7.9 million in development financed bonds
  - \$6.1 million in prior bond funds
  - \$2.055 million cash from General Fund reserves
  - \$16.64 million in grant funds (includes Galveston County, State and Federal)
  - \$9.11 million in dedicated funds (includes 4B, Park fees, TIRZ, Sidewalk)

# Proposed FY 2013-2017 CIP Tax Supported Programs

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- Key FY 2013 Projects
  - Construct new public safety facility
  - Land to relocate Fire Station 3 & construct Fire Station 2 Expansion for EMS personnel
  - Five Corners realignment & Texas Avenue
  - Traffic systems improvements & FM518 access management
  - Shellside & annual stormwater improvements
  - Facilities & parks facilities renewal
  - Renovate interior of Helen Hall Library
  - Construct Ghirardi WaterSmart Park & TxDOT FM518 Bypass Hike & Bike Trail and Skate Park Addition
  - Main Street Implementation Plan & Entertainment District improvements



# Proposed FY2013-2017 CIP Revenue Supported Programs

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- Water & Wastewater projects = \$130.89 million
  - Water projects = \$110.69 million
  - Wastewater projects = \$20.2 million
  - Tied to the Master Plans
  - Based on FY 2012-2016 Adopted CIP
- Notable changes from FY 2012-2016 CIP in Water Program
  - Removed 2 projects totaling \$42 million associated with potential major new 10 MGD secondary water supply provided through City of Pasadena (total cost to acquire estimated at \$70 million)
  - Includes \$19.63 million for a planned 5 MGD in reclaimed water generated by the City's wastewater facilities and treated to potable status through GCWA (estimated total cost \$36 million)